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# The Imaginary Defense Gap: We Already Outspend Them

**By Richard A. Stubbing**

**I**F WHITE HOUSE tenants have long painted rosy economic pictures that rarely square with reality, those numbers have nothing on the doomsday reports we are treated to nowadays contending that the Soviet Union is overpowering us on defense.

We are told, for example, that we spend about 5 percent of our gross national product on defense, while the Soviets spend 12 to 14 percent on theirs. We are not reminded, of course, that our GNP is twice that of the Soviet Union's.

We are told that in 1980, the Soviets spent \$175 billion, or 50 percent more than we did, on defense, or that over the past decade their military outlays outpaced ours by more than \$300 billion. We are not reminded that defense spending comparisons in the real world include outlays of American and Soviet allies — those many other nations out there — and that the publicly available evidence in this area, as in others, tells a very different tale.

Studies by the prestigious International Institute for Strategic Studies (IISS), for example, show that the Soviets' Warsaw Pact allies spend roughly \$20 billion to \$30 billion annually on defense forces. Our NATO allies, by contrast, allocate three to four times that amount — more than \$100 billion annually.

In other words, while this margin has no doubt been narrowing, the United States and its NATO allies outspent the Soviet Union and its Warsaw Pact allies on defense by more than \$300 billion in the past decade.

In Asia, for example, the Soviets' principal allies are North Korea and Vietnam. North Korea spends about \$3 billion annually for defense, and Vietnam probably spends something close to that. The principal U.S. allies — Japan, South Korea, Australia and New Zealand — spend nearly \$20 billion.

This does not mean that Japan or others among our friends should not shoulder a larger share of allied defense spending, as some have argued, or that our own Pentagon outlays might not be increased to some extent as well. The issue is one of magnitude, of the immensity of defense spending increases proposed at the expense of all else, of the fears generated unnecessarily by incomplete information.

Consider what is behind a good deal of Kremlin spending. A significant portion of it in recent years has been aimed squarely at the People's Republic of China. Century-old border disputes between the two countries broke into open fighting in 1969, and in recent years China has improved long-dormant relations with the United States, Japan and other Western nations.

Americans can understand China's threat to Russia by considering the long-undefended border we share with Canada; a hostile nation with a 4 million-man military force on our northern border would change our defense emphasis quite rapidly. Published CIA estimates state that 10 to 15 percent of Soviet defense spending (\$18 to \$27 billion) is for units with a primary mission against China.

In short, recognizing the impact of NATO, Warsaw Pact, Asian allies and Soviet spending directed toward China and other factors transforms an alleged 50 percent Soviet spending advantage into a 15 to 37 percent edge for the United States. No cause for fright there.

Another critical element in dollar comparisons is the quality of our estimates of Soviet spending. Because Soviet defense data obviously are not available to us, the CIA develops its calculations by attempting to determine the cost to equip, man and operate the Russian military here in the United States — using U.S. market prices and wages. While this approach certainly provides a good indicator of trends in Soviet spending over time, its reliability on specific spending figures is questionable.

The CIA estimates, for instance, ignore the relative efficiency with which the U.S. and Soviet economies turn materials and labor into finished products. A Soviet factory producing artillery rounds may operate at 20 percent, 50 percent or 80 percent of the efficiency of a comparable U.S. plant, but this is not considered.

An even greater deficiency is the absence of an attempt to compare the net military value of Soviet products and services with those in the United States. For example, the relative value of Soviet vs. U.S. tanks or Soviet tanks vs. U.S. mines and anti-tank missiles to stop these tanks is not addressed.

In an unclassified report, the CIA asserts that its estimate of Soviet defense spending is accurate within 15 percent for each year of the 1970s. Perhaps — but a look at the problems in all four elements of the CIA estimate quickly calls that claim into question.

**1. Soviet Manpower.** Soviet troop strength is known with accuracy, and the CIA prices this force of low-wage conscripts at U.S. pay rates. One major error in applying this method is that every pay raise for U.S. military personnel widens the U.S.-U.S.S.R. spending gap simply because the Russians have more troops in uniform than we do. Eliminating this misleading way of assessing manpower costs would, by itself, eliminate a *quarter* of the 1980 spending "gap."

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**2. Soviet Weapons and Facilities.** Significant uncertainties about the quantity and quality of Russian equipment undermine our ability to determine Soviet inventories and to assess the capabilities of Soviet weaponry. For instance, we at first overstated the capabilities of several generations of Russians fighter aircraft.

The Mig25 Foxbat is a classic case. When initially observed, our analysts credited this aircraft with major technology advances. But after a Russian pilot flew a Mig25 to Japan, U.S. experts found the aircraft's performance greatly overrated. Its range was far more restricted than we had estimated, its acceleration and turning capability were poor, and it was equipped with 20-year-old, tube-type electronics.

Estimating what each type of Soviet equipment would cost if produced in the United States is extremely difficult. Final price tags on our own weapons systems often vary wildly from contractor estimates; attaching costs to Soviet weapons we know little about is fiendishly difficult. Among other things, self-interest argues for U.S. contractors (who provide the initial estimates used by the CIA) to attribute high unit costs to Soviet systems, thereby widening the supposed spending gap and enhancing their prospects for more defense business. About 50 percent of the CIA-estimated U.S.-U.S.S.R. "gap" is in this area.

**3. Soviet Operating Costs.** Large unknowns dominate this area. We do not know with any reliability the operating techniques or the activity rates of Soviet combat and support units. Measurement yardsticks are essentially lacking, and confidence in these estimates cannot be high. After correcting for the military manpower pay raise distortion, total Soviet operating costs for their larger forces are estimated at about U.S. levels.

**4. Soviet Research and Development Costs.** The CIA states it has the least confidence in the accuracy of this spending category. Differences in Soviet and U.S. approaches to R&D are major. For example, the Soviets historically have had two or three weapons design bureaus competing on new systems development — a more costly R&D approach than the U.S. method. Reliable data is simply not available. Nonetheless, the CIA concludes that Soviet R&D efforts in recent years were twice as much as the U.S. About 25 percent of the identified U.S.-Soviet "spending gap" is identified here.

None of this is intended to suggest that Soviet forces haven't continued to improve in size and capability; they have. The Soviets also continue to outproduce the West in armored vehicles, submarines, fighter bombers and strategic missiles. But the picture is far from glum.

A close look, for example, at the Pentagon's allegations in "Soviet Military Power," the special brochure issued several months ago, should swiftly dispel that report's suggestion that Russian forces are practically ten feet tall:

*"The Soviet Union now exceeds the United States in the number of strategic nuclear vehicles."* True, but the United States now has more strategic warheads in its inventory. In the 1980s, defense posture statements state that we will possess some 10,000 strategic nuclear warheads to provide the strategic punch needed in any contingency. Only 5 percent of this total — 500 delivered warheads — could destroy the Soviet Union as a viable society.

*"Over the past 10 years the Soviets have expanded their ground forces to more than 180 divisions."* True again, but almost all this Soviet expansion since the mid-1960s reflects the increased divisions deployed against China. As "Soviet Military Power" itself shows, the Russians today assign 45 divisions, or 25 percent of their ground forces, against China.

The report also concludes that only 46 of the 180 divisions are highly combat ready. An additional 98 divisions are classed as cadre units with less than half strength; they would require months to reach full combat status. MIT defense analyst William Kaufmann, who helped prepare the Pentagon posture statements for more than 15 years, observes that the Red Army seems to take about three months to set up a major attack force, whether against Czechoslovakia in 1968, Afghanistan in 1979, or Poland in 1981.

*"The Soviets today in Europe have a substantial advantage both in numbers of troops and quantities of armored assault vehicles."* Not true, when NATO and Warsaw Pact forces are considered. The 1981 IISS report concludes that NATO actually has a slight edge in total military manpower over the Warsaw Pact.

The NATO allies, in fact, have a surprisingly large (27 percent) advantage in the number of ground forces actually in place in Central Europe (excluding forces in the western regions of the Soviet Union and in the United States). The Russians do have a large edge in tanks and armored vehicles, but NATO forces have a clear lead in anti-tank missiles, mines, and tactical aircraft with tank-killing capability. NATO also will have an initial advantage in fighting from defensive positions against a Soviet attack.

Another key concern here must be the reliability of the U.S. and Soviet allies. There has been a reduced cohesion among the NATO nations in recent years, but in a Soviet attack against Western Europe, the full support of the entire NATO bloc can reasonably be expected.

With the recent unrest in Poland and other nations, on the other hand, the Soviets surely pause in assessing the steadfast support of their Warsaw Pact members other than East Germany. Soviet allies comprise almost half the Warsaw Pact ground forces in Europe, fully 30 percent of the main battle tanks, and a surprising two-thirds of anti-tank missile launchers.

*"High Soviet priority is being devoted to anti-submarine sensor technology applicable against ballistic missile submarines."* American capability far outstrips the rudimentary U.S.S.R. antisubmarine technology. Our submarines will remain essentially invulnerable for the foreseeable future. Soviet submarines, by contrast, have a high noise level which makes them vulnerable to attack, and they face great resupply difficulties in wartime.

*"The widely publicized KIEV-Class aircraft carriers are the largest warships ever completed by the Soviet Union."* The Soviets have two KIEV-Class carriers, each displacing about 38,000 tons, but they can only accommodate helicopters and vertical take off and landing (VTOL) aircraft with limited capability. The U.S., by contrast, has 18 ships of greater or equal capability — including 13 carriers of between 60,000 and 90,000 tons, each equipped with the world's most capable aircraft, and five assault transports of 38,000 tons which support helicopters and VTOL aircraft.

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Finally, one must remember that dollars alone are not a serious basis for judging the strength of our enemies or of ourselves. There is scarcely any reason to believe that a defense budget twice the current size, for example, would have prevented the Soviet invasion of Afghanistan or the Iranian seizure of American hostages, the two events which triggered a major shift in U.S. public opinion for greatly increased defense outlays.

Consider the case of the B1 bomber. The Defense Department projects costs of about \$28 billion for 100 aircraft, but estimates by the Congressional Budget Office and the General Accounting Office suggest costs of up to \$40 billion. If the higher estimate is more accurate, then — using the CIA pricing methodology — the United States would close the “spending gap” faster by laying out the higher amount — even though the same 100 aircraft are delivered. The ludicrous nature of this conclusion is obvious.

Conversely, greater efficiency in the use of U.S. resources (substantial opportunities exist within the massive defense budget) could increase real Pentagon output each year by large percentages without one additional dollar spent. Again, this would not be reflected in CIA spending comparisons, which is further reason to question those comparisons.

The case for massive escalation in U.S. defense spending has yet to be made convincingly. The real opportunities to improve U.S. military capability require a fundamental reexamination of basic policies and structures in sizing and equipping forces — a task which, unfortunately, is not currently under way.

Maybe, just maybe, both sides can recognize their mutual interest in beginning talks to slow the apparently never-ending upward spiral in defense spending, thereby freeing resources to attack other longstanding problems at home in both nations.

*Richard Stubbing, assistant provost of Duke University, was deputy chief of the Office of Management and Budget's national security division, which reviews the defense budget, from the end of the Nixon administration until October.*